

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 COME-00 TRSE-00 XMB-02

PA-01 PRS-01 USIA-06 OPIC-03 CIAE-00 INR-07 NSAE-00

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R 251725Z JUN 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 6819

INFO USMISSION GENEVA

USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETRD, GATT, CA

SUBJECT: CANADIAN CONSIDERATION OF EXPORT INFLATION INSURANCE SCHEME

REF: A. STATE 145920 B. OTTAWA 2245

1. EMBOFFS ON JUNE 24 DISCUSSED SUBJECT WITH G.E. SHANNON, DIRECTOR, EXTAFF COMMERCIAL POLICY DIVISION, AND LEFT WITH HIM TALKING PAPER BASED ON POINTS CONTAINED REFTEL A.

2. SHANNON CONFIRMED NEWSPAPER REPORTS AND ADVICE OF ITC SOURCE (REF. B) THAT GOC IS UNDER PRESSURE BY CANADIAN BUSINESS TO ESTABLISH INFLATION INSURANCE PROGRAM. NO DECISION HAS YET BEEN TAKEN BY GOC WHETHER TO PUT SCHEME IN PLACE, SHANNON SAID, BUT HE LEFT NO DOUBT THAT GOC WAS ACTIVELY CONSIDERING ESTABLISHING SUCH PROGRAM.

3. "WE'VE GOT A PROBLEM," SHANNON MAINTAINED, IN KEEPING CANADIAN EXPORTERS COMPETITIVE WITH, FOR EXAMPLE, A BRITISH EXPORTER WHO "HAS SUCH AN INSURANCE POLICY IN HIS BACK POCKET." CANADIAN EXPORTERS ARE TRYING TO ESTABLISH THEMSELVES AS SUPPLIERS OF LARGE TURNKEY PROJECTS, AND

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"ARE HAVING A HELLUVA TIME COMPETING" WITHOUT THE

FURTHER DISADVANTAGE DERIVING FROM OTHER GOVERNMENTS' MORE LIBERAL EXPORT FINANCIAL/INSURANCE PROGRAMS. HE MENTIONED MIDDLE EAST COUNTRIES AS AREA WHICH CANADIAN EXPORTERS "TRYING TO CRACK BUT HAVE NOT BEEN ABLE TO PENETRATE."

4. SHANNON SAID GOC DISCUSSIONS ON ESTABLISHING CANADIAN SCHEME WERE IN "VERY EMBRYONIC STAGE"; BUT UNDER PARTICULAR CONSIDERATION WAS A "RESPONSIVE SCHEME", I.E., OFFERING INSURANCE ON INDIVIDUAL CASE BASIS WHERE CANADIAN EXPORTER WOULD NEED SCHEME TO MEET COMPETITION FROM FOREIGN EXPORTER WHOSE GOVERNMENT ALREADY HAD PROGRAM IN OPERATION.

5. COMMERCIAL COUNSELOR REITERATED PROBLEMS PROLIFERATION OF SUCH SCHEMES WOULD CAUSE IN INTERNATIONAL TRADE RELATIONS AND ASKED IF USG COULD TAKE COMFORT IN WORDS OF FINANCE MINISTER TURNER, WHO, IN BUDGET SPEECH MIGHT BEFORE, SAID, IN CONTEXT OF OECD TRADE PLEDGE, "WE BELIEVE THAT IF WE CAN ABSTAIN COLLECTIVELY FROM RAISING NEW BARRIERS TO TRADE, WE WILL ALL BE BETTER OFF." SHANNON REPLIED THAT OPERATIVE WORD WAS "COLLECTIVELY."

6. SHANNON ASKED IF USG HAS MADE BILATERAL DEMARCHES TO OTHER COUNTRIES, SUCH AS FRANCE AND U.K., WHO HAVE EXPORT INFLATION INSURANCE PROGRAMS, AND WHAT OTHER ACTION USG HAS TAKEN OR CONSIDERED TO OPPOSE THESE PROGRAMS. HE ALSO INQUIRED IF WE HAD ANY FACTS AND FIGURES ON COSTS OF SCHEMES TO GOVERNMENTS. SHANNON PROMISED TO CIRCULATE EMBASSY'S TALKING PAPER TO INVOLVED CANADIAN AGENCIES, AND UNDERTOOK TO KEEP EMBASSY WELL INFORMED OF DEVELOPMENTS IN GOC'S CONSIDERATION OF ITS POSSIBLE INFLATION INSURANCE PROGRAM.

7. ACTION REQUESTED: EMBASSY WOULD APPRECIATE RECEIVING FROM DEPARTMENT BACKGROUND MATERIAL ON USG ACTIONS IN OPPOSING EXPORT INSURANCE SCHEMES PROPOSED OR IMPLEMENTED BY OTHER COUNTRIES AND ANY ESTIMATE OR LIMITED OFFICIAL USE

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ANALYSIS OF COSTS TO GOVERNMENTS WHICH HAVE ESTABLISHED SUCH PROGRAMS. WE PROPOSE TO PASS AS MUCH OF THIS INFORMATION AS POSSIBLE TO SHANNON.  
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